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# U.S., Allies at Odds Over High-Tech Exports to Soviet Bloc

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COLOGNE, West Germany—Heinrich Vogel and Richard Perle will probably never see eye to eye.

Vogel, an official of the West German government, believes that U.S. efforts to restrict the flow of high technology to the Soviet Bloc are excessive, counterproductive and potentially damaging to the Western Alliance.

"Tall fences around small areas," he says, arguing for strict protection of military-sensitive technology but for a free flow of other material.

Perle, the outspoken U.S. assistant secretary of defense, thinks that Western computers, microelectronics and other sophisticated equipment are disappearing into the East Bloc on a massive scale, spurring Soviet growth and driving up the Western Alliance's defense costs by as much as \$50 billion a year.

"It's high time it stopped," Perle said recently.

The views of the two men reflect the opposing sides in a sometimes bitter debate that has divided the United States and its Western allies.

Since it burst into the open three years ago with U.S. efforts to block West European participation in the Soviet Union's trans-Siberian gas pipeline project, the dispute has quietly but steadily escalated.

It has spread beyond the central issue of limiting the sale of Western technology to the Soviet Bloc; now it threatens broader U.S. trade interests and hinders the exchange of technology in Western countries, a development especially unsettling to West Europeans.

"There is the danger that the Soviets will end up as the winners from all this," Vogel warned. He is the director of the Federal Institute

for East European and International Studies, an arm of the West German Interior Ministry.

The call for tighter U.S. controls on the flow of technology to other Western countries is based mainly on the belief that breakthroughs can leak to the Soviets more easily if they are shared with friendly foreign countries.

Over the past two years, this belief has been strengthened by the disclosure that there are thriving high-technology smuggling rackets in Western Europe. One group, led by West German Richard Mueller, reportedly shipped several large American-made computers illegally into the Soviet Union before it was broken up 18 months ago. Mueller managed to avoid capture, but statements by German and Swedish associates indicate that respectable European companies were involved.

In a speech last year, Central Intelligence Agency Director William J. Casey referred to an agency report that identified 300 companies in 30 countries engaged in schemes to divert military-sensitive high-technology products to the Soviet Bloc.

West European officials say these cases involve military-sensitive hardware that they agree should be kept from the Soviets. But more stringent U.S. efforts to protect its technology, they say, will only choke off routine scientific exchange.

West European nationals working in defense-related areas have already been restricted from U.S. conferences dealing with unclassified material.

"There is a climate now in the U.S. that the government is reluctant to share scientific information, and this spills over into business,

too," noted Cyril Hillson, research director at Britain's General Electric Co. "It's a pity we can't talk freely with those who we feel are on the same side as ourselves."

At the government level, the problem is viewed in more fundamental terms.

Lorenz Schomerus, a foreign trade specialist in the West German Economics Ministry, said: "Our concern isn't so much that we won't be able to get technology X or Y for our products. Our concern is more that it might lead to an overall division of high-technology products between Europe and the United States."

Such a division, Europeans contend, would slow technological development on both sides of the Atlantic.

"It shows an incomplete understanding of scientific exchange," Hillson said. "Cutting yourself off from the general stream leads to complacency (and) a lack of knowledge of what competitors are doing and eventually slows you down."

The issue of dealing with sensitive technology within the Western Alliance could come to a head soon in connection with President Reagan's controversial, \$26-billion space defense research program. British, Italian and West German leaders all have voiced a wish to take part in the research, but this is something that the Pentagon is not likely to endorse.

To some extent, West European countries have joined with the United States to limit Soviet access to Western high technology. Mainly at U.S. prodding, a Paris-based coordinating committee of 14 allied nations, known as Cocom, has steadily expanded the list of products embargoed for shipment to the East Bloc.

But tighter controls imposed unilaterally by the United States on any foreign company wishing to sell products containing American components has generated resentment, confusion and uncertainty in European industry.

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The confusion results in part from differing positions on the issue taken by the Commerce and Defense departments.

#### Uncertainty at Highest Levels

Karl-Hermann Fink, head of the German Chambers of Commerce committee on trade with the East, said: "No one talking with an East Bloc country can be certain of his ground because no one knows where U.S. policy is going to end up."

In West Germany last year, confusion over fast-proliferating restrictions generated about 70,000 queries from potential exporters seeking clarifications. The number was twice that of five years ago.

Uncertainty sometimes extends to the highest levels. A \$10-million contract by ITT's West German subsidiary, Standard Elektrik Lorenz, to provide electronic telephone exchanges to Hungary was kept up in the air for weeks before it was finally dropped last summer. The uncertainty apparently stemmed from a misunderstanding between the U.S. and West German governments over agreed Cocom restrictions.

In part, the U.S.-European dispute over technology controls stems from different degrees of involvement in East Bloc trade and an inherent European aversion to trade embargoes.

In neutral Austria, for example, foreign trade amounts to 30% to 40% of the gross national product, compared to about 7% for the United States. And with well over half of its energy requirement coming from the Soviet Union, Austria values its trade links with the East.

#### Substitute for U.S. Parts

In West Germany, which has the largest single share of the \$79-billion overall East-West trade, a 1979 study indicated that more than 200,000 jobs were linked to business with the East.

The prospect of further U.S. restrictions on the sale of American technology has led some European companies to study the possibility of substituting U.S. components in their equipment.

Some manufacturers have tried to retain their Soviet Bloc trade by offering new equipment rigged with lower-performance electronic

controls that have been approved for export. Others see a potential problem but have yet to be affected seriously enough to make changes, which in most cases would leave them with lower-quality products.

"At present, it isn't worth it," said a spokesman for Airbus Industrie, the European aircraft producer.

A key reason why there has been

relatively little substitution is that, throughout Western Europe, the importance of East Bloc trade, both in size and quality, is dwarfed by economic links to the United States, especially in high-technology areas.

"European companies live from U.S. microchips," said Hans Muehler, programs manager for Standard Elektrik Lorenz. "No manufacturer is going to endanger his access to these chips by selling restricted technology to the East Bloc."

Neutral countries, among them Sweden, Austria and Switzerland, are bound by neither Cocom restrictions nor unilateral action by the U.S. government. But here, too, the prospect of losing access to American technology has brought compliance.

Austria, pinpointed by U.S. trade officials as a major source of high-technology shipments into the East Bloc, invoked controls earlier this year, but only after prolonged U.S. pressure.

#### Needs U.S. Electronics

"It's not in our blood to restrict trade," an Austrian Foreign Ministry official commented. "We acted for one reason only: Austrian industry can't do without American electronics."

Lars Stalberg, an assistant undersecretary in the Swedish Foreign Ministry, said: "We're careful to comply because we're so reliant on U.S. technology. We've no illusions about that."

Several European governments now monitor U.S. high-technology equipment in their country more closely, often working with U.S. customs agents to head off illegal shipments. But there is frustration because some American officials

believe that tougher measures can cut off all high-technology leakage.

"It's like the drug trade," a West German customs official said. "There is no way you can stop it completely."

For all the difficulties that America's technology transfer policy has caused with its allies, there are indications that Moscow may be feeling the pressure. There is no precise way to measure the effect, but there are some clues. Among them:

- West German officials said Soviet Deputy Premier Alexei K. Antonov, on a recent trip to Bonn, complained strongly about the restrictions. Publicly, he underscored

Moscow's desire to buy from the West "the technology of tomorrow, not yesterday or today."

- Investigations into recent industrial smuggling cases indicate that Moscow is willing to pay higher black market prices than ever for banned high-technology goods, suggesting that the Soviets are encountering procurement difficulties.

- West European industry sources report that Communist Bloc customers have recently begun trying to write into contracts tough penalty clauses for non-delivery.

- At last summer's conference of Comecon, the East Bloc economic organization, Soviet planners reportedly delivered an ultimatum to the more industrialized East European allies—East Germany, Hungary and Czechoslovakia—to speed development in the fields of microelectronics, microprocessors and industrial robots, products the United States is trying hardest to restrict.

For East Bloc planners, accustomed to tightly structured five-year plans, the uncertainties surrounding deliveries are almost as difficult to deal with as the denial of technology.

"I think (the East Bloc countries) are hurting, but it's hard to quantify how much," said Fink of the German Chambers of Commerce.

Still, few Europeans see any of this as confirmation of success.

"The policy comes down to basic value judgment," Vogel, the West German official, said. "Is it worth creating trouble within the alliance to deny the Soviets an unspecified amount of high technology?"